

STATE OF MICHIGAN



JOHN ENGLER, Governor

DEPARTMENT OF TREASURY

DOUGLAS B. ROBERTS, State Treasurer

STATE TAX COMMISSION

4th Floor Treasury Building
Lansing, Michigan 48922 - Telephone (517) 373-0500

COMMISSION MEMBERS

ROLAND C. ANDERSEN, Acting Chair
LESLEY F. HOLT
LEROY J. NELSON

DATE: March 16, 1994

TO: Assessors
Equalization Directors
Supervisors

FROM: State Tax Commission

RE: ADOPTION OF PROPOSAL A

Please find enclosed a copy of Proposal A, an amendment to the Michigan 1963 Constitution, which was adopted by the electorate on March 15, 1994.

The following comments address some facts regarding the proposal:

1. The "assessment cap" in Proposal A does not apply to 1994 assessments, 1994 equalized valuations, or in any other way to 1994 property taxation. The cap first applies in 1995.
2. Proposal A results in a state education property tax of six mills for school operating purposes. It also results in a local property tax under the General Property Tax Act, which is in addition to the state tax, of eighteen mills for school operating purposes. If the number of mills levied in 1993 was less than eighteen mills, that millage replaced the eighteen mills. The proposal provides a total of twenty-four mills for school operating purposes for most school districts. Under certain circumstances a local school district is allowed to levy an enhancement millage and/or supplemental (hold harmless) millage.
3. The homestead exemption under Proposal A is from the eighteen mills of local property tax imposed for school operating purposes. There is no homestead exemption from the state education property tax of six mills, which is also for school operating purposes.
4. Adoption of Proposal A will not reduce the need for assessing staff or equalization staff, but will require more staff as the assessment/equalization process has become more complex. Traditional twenty-four month equalization studies or single year studies will be required to be submitted by Equalization Departments on December 31, 1994, and will be used to start 1995 equalization computations.
5. The legislature will provide implementing law regarding many aspects of Proposal A. It appears that this will include the enactment of a bill which gives the Michigan Department of Treasury responsibility for the administration of the homestead exemption. Please proceed with the processing of homestead exemption forms in exactly the same manner that

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you have heretofore been instructed by the Michigan Department of Treasury.

ADDITIONAL SUBJECTS NOT DIRECTLY RELATED TO PROPOSAL A:

1. Each local unit of government must provide itself with the capability to use the homestead exemption form information to apply the correct millage rates on the 1994 tax roll. You must take the steps necessary to accomplish this prior to sending in the form to the State of Michigan.
2. A local unit that has barcoded or specialized a form and needs to retain the original may mail a legible copy to the Michigan Department of Treasury. Care must be taken to obliterate the Social Security Number ONLY on the document retained by the local unit, and NOT on the one sent to the Department of Treasury.
3. The unit must apply to 1994 July tax bills all the exemption claims which have been timely submitted by homeowners. Treasury Department will provide a list of those that do not qualify in time for corrections to be made on the December tax bills.

RCA/ej

Enclosure

Proposal A was based on the document shown below, and
was approved by the electorate on March 15, 1994.

STATE OF MICHIGAN
87TH LEGISLATURE
REGULAR SESSION OF 1993

Introduced by Senator Dunaskiss

ENROLLED SENATE
JOINT RESOLUTION S

A JOINT RESOLUTION proposing an amendment to the state constitution of 1963, by amending sections 3, 5, 8, 10, and 11 of article IX and adding section 36 to article IX, to dedicate certain revenues to the state school aid fund, to provide for an increase in the sales and use taxes, and to dedicate certain revenues to public health.

Resolved by the Senate and House of Representatives of the state of Michigan, That the following amendment to the state constitution of 1963, to dedicate certain revenues to the state school aid fund, to provide for an increase in the sales and use taxes, and to dedicate certain revenues to public health, is proposed, agreed to, and submitted to the people of the state:

ARTICLE IX

Sec. 3. The legislature shall provide for the uniform general ad valorem taxation of real and tangible personal property not exempt by law except for taxes levied for school operating purposes. The legislature shall provide for the determination of true cash value of such property; the proportion of true cash value at which such property shall be uniformly assessed, which shall not, after January 1, 1966, exceed 50 percent; and for a system of equalization of assessments. For taxes levied in 1995 and each year thereafter, the legislature shall provide that the taxable value of each parcel of property adjusted for additions and losses, shall not increase each year by more than the increase in the immediately preceding year in the general price level, as defined in section 33 of this article, or 5 percent, whichever is less until ownership of the parcel of property is transferred. When ownership of the parcel of property is transferred as defined by law, the parcel shall be assessed at the applicable proportion of current true cash value. The legislature may provide for alternative means of taxation of designated real and tangible personal property in lieu of general ad valorem taxation. Every tax other than the general ad valorem property tax shall be uniform upon the class or classes on which it operates. A law that increases the statutory limits in effect as of February 1, 1994 on the maximum amount of ad valorem property taxes that may be levied for school district operating purposes requires the approval of 3/4 of the members elected to and serving in the Senate and in the House of Representatives.

Sec. 5. The legislature shall provide for the assessment by the state of the property of those public service businesses assessed by the state at the date this constitution becomes effective, and of other property as designated by the legislature, and for the imposition and collection of taxes thereon. Property assessed by the state shall be assessed at the same proportion of its true cash value as the legislature shall specify for property subject to general ad valorem taxation. The rate of taxation on such property shall be the average rate levied upon other commercial, industrial, and utility property in this state under the general ad valorem tax law, or, if the legislature provides, the rate of tax applicable to the property of each business enterprise assessed by the state shall be the average rate of ad valorem

taxation levied upon other commercial, industrial, and utility property in all counties in which any of such property is situated.

Sec. 8. Except as provided in this section, the Legislature shall not impose a sales tax on retailers at a rate of more than 4% of their gross taxable sales of tangible personal property.

Beginning May 1, 1994, the sales tax shall be imposed on retailers at an additional rate of 2% of their gross taxable sales of tangible personal property not exempt by law and the use tax at an additional rate of 2%. The proceeds of the sales and use taxes imposed at the additional rate of 2% shall be deposited in the state school aid fund established in section 11 of this article. The allocation of sales tax revenue required or authorized by sections 9 and 10 of this article does not apply to the revenue from the sales tax imposed at the additional rate of 2%.

No sales tax or use tax shall be charged or collected from and after January 1, 1975 on the sale or use of prescription drugs for human use, or on the sale or use of food for human consumption except in the case of prepared food intended for immediate consumption as defined by law. This provision shall not apply to alcoholic beverages.

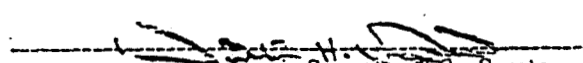
Sec. 10. Fifteen percent of all taxes imposed on retailers on taxable sales at retail of tangible personal property at a rate of not more than 4% shall be used exclusively for assistance to townships, cities and villages, on a population basis as provided by law. In determining population the legislature may exclude any portion of the total number of persons who are wards, patients or convicts in any tax supported institution.

Sec. 11. There shall be established a state school aid fund which shall be used exclusively for aid to school districts, higher education, and school employees' retirement systems, as provided by law. Sixty percent of all taxes imposed at a rate of 4% on retailers on taxable sales at retail of tangible personal property, 100% of the proceeds of the sales and use taxes imposed at the additional rate of 2% provided for in section 8 of this article, and other tax revenues provided by law, shall be dedicated to this fund. Payments from this fund shall be made in full on a scheduled basis, as provided by law. Beginning in the 1995-96 state fiscal year and each state fiscal year after 1995-96, the state shall guarantee that the total state and local per pupil revenue for school operating purposes for each local school district shall not be less than the 1994-95 total state and local per pupil revenue for school operating purposes for that local school district, as adjusted for consolidations, annexations, or other boundary changes. However, this guarantee does not apply in a year in which the local school district levies a millage rate for school district operating purposes less than it levied in 1994.

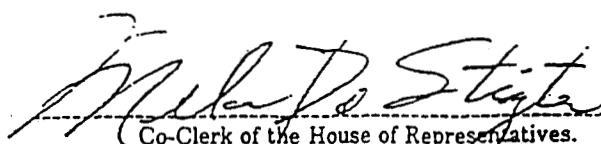
Sec. 36. Six percent of the proceeds of the tax on tobacco products shall be dedicated to improving the quality of health care of the residents of this state.

Resolved further, That the foregoing amendment shall be submitted to the people of the state at a special election on March 15, 1994 in the manner provided by law.

I hereby certify that on the twenty-fourth day of December, nineteen hundred ninety-three, the foregoing joint resolution was agreed to by the Senate, by a majority vote of all the Senators-elect.


Secretary of the Senate.

I hereby certify that on the twenty-fourth day of December, nineteen hundred ninety-three, the foregoing joint resolution was agreed to by the House of Representatives, by a majority vote of all the Representatives-elect.


Co-Clerk of the House of Representatives.

Filed with Secretary of State
on 12/27/93 at 1:47 p.m.